



Management's Statement

On behalf of the Board of Directors, I am pleased to present to you the Group's annual report and audited financial statements, for the year ended March 31, 2003.

Financial results

The Group recorded a net loss attributable to shareholders of approximately HK\$18 million for the year.

Business review

For the year under review, the general investment environment continued to be difficult.

The decline of the securities market was mainly due to poor market sentiment and disappointing corporate results caused by the local sluggish economy. Accounting scandals and corporate governance issues in the USA and the PRC had also eroded investors' confidence.

The war in Iraq together with tension and terrorist attacks in various parts of the world, especially in Bali and the Philippines of the Asia region, added political uncertainties.

Such economic and political cloud sent the Hang Seng Index down to 8,634 as at our year end, a decrease of approximately 21.7% when compared with the beginning of our financial year.

Due to the general sluggish operating environment encountered by the information technology industry, some IT related projects and their investee companies have difficulties in achieving their business plans. To be prudent, our Board considers that it is appropriate to make a provision of HK\$4 million against impairment in the value of investment in such companies.

Under such a difficult environment, the consolidated net asset value of the Group decreased by 12%. Though disappointing, it shrunk far less than the benchmark Hang Seng Index.

Prospects

The outbreak of the severe acute respiratory syndrome ("SARS") is a big blow to Hong Kong's tourism, entertainment, catering and retail trade industries. It is too early to predict the effect of the HK\$11.8 billion relief package announced by the Hong Kong Government and whether it can really help those hard hit industries.

This unprecedented SARS crisis is not only a threat to the tourism related industries, it hits our economy over the board. It is difficult to measure the impact at this stage, but the Hang Seng Index already saw a 5 year low in April.

It remains unknown how badly SARS is going to hurt Hong Kong's economy and prolong the effect and extent of our recession. Anyway, the forecast made by the Financial Secretary during the budget speech 2003 is unlikely to be achieved.

The uncertain economic environment caused by the outbreak of SARS, the possibilities of any further war incident or terrorist attacks will surely affect the profitability of the Group.

We remain overweight in selected companies with major markets are outside Asia. One of the example is EganaGoldpfeil (Holdings) Limited ("EganaGoldpfeil") which has about 90% of its revenue derived from Europe and the USA. Its business will not be affected by the outbreak of SARS here. While other



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competitors from Asia were being kept away from the Basel World Watch & Jewellery Show held in April, EganaGoldpfeil had a very successful exhibition within the Swiss Pavilion-the prestigious hall for the world's renowned and influential brand collectors.

Looking ahead, the local securities and investments markets may have to wait for good news until SARS is being under control and removing of the travel alert by the World Health Organization.

Financial review

Liquidity and financial resources

As at March 31, 2003, the Group had bank balances and cash of HK\$1,586,533 (2002: HK\$7,479,550) and had no other borrowing. The Board believe that the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Capital structure

Prior to the expiration of the warrants on June 30, 2002, 49,064,200 warrants were exercised and 49,064,200 ordinary shares were issued at a cash consideration of HK\$0.12 per ordinary share. Save as disclosed, there has been no change to the capital structure of the Company since April 1, 2002.

Capital commitment and contingent liabilities

During the year, there are no charges on the Group's assets. As at March 31, 2003 the Group had no material capital commitment and contingent liabilities.

Foreign currency fluctuation

The Board believe that the foreign exchange risk is minimal as the Group mainly uses Hong Kong dollars to carry out its business transactions.

Employment

As at March 31, 2003, the Group employed a total of 5 employees, including the executive directors of the Company.

Share options

The Company does not have share option scheme.

Appreciation

The Board would like to take this opportunity to extend our sincere thanks and express appreciation to those who have supported us during the year.

Li Kwok Cheung, George

Executive Director

Hong Kong, May 20, 2003